



Blue Cross Blue Shield  
Association

An Association of Independent  
Blue Cross and Blue Shield Plans

A Blue Cross and Blue Shield Association Presentation

# NAIC Statutory Codification

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Brand Protection and  
Financial Services

## Recent Health-Related Developments

- SSAP 84 (Health Care Receivables) – eff. 12/31/01
- SSAP 85 (Cost Containment Expenses) – eff. 12/31/03
- INT 01-28 (Margin for Adverse Deviation in Claim Reserve) – adopted Oct 2001
- reference to HRGM within SSAPs – adopted Mar 2002
- Health Blank Migration – adopted Oct 2001, phase-in
- AAA and A&HWG projects regarding health reserving consistency between different types of entities

## SSAP 84

- Several asset classes unique to health insurers were not considered in the Base Codification project and hence were automatically nonadmitted at 1/1/01:
  - pharmaceutical rebate receivables
  - claim overpayment receivables
  - loans and advances to hospitals and other providers
  - advances of capitation payments to providers
  - risk sharing receivables
- These assets were addressed in SSAP 84, which was finalized in Dec 2001 and effective at 12/31/01

## SSAP 84 (con't.)

- General thrust of guidance is to present receivables on a gross basis, rather than allowing them to be netted against related liabilities
- Also places restrictions and conditions on extent to which receivables are admissible
- With provider advances, admissibility cap expressed as provider-specific ICOS and/or IBNR liability
- New guidance has not yet led to any Health RBC changes, but issue will likely be studied in future

## SSAP 85

- Guidance defines cost containment expenses for A&H contracts as “expenses that actually serve to reduce the number of health services provided or the cost of such services”. Examples may include:
  - case management & utilization review activities
  - fraud detection and payments
  - network access fees and parallel internal costs
  - disease management and similar consumer education costs
  - internal and external appeals costs
- Some companies may currently account for some of these items as claims – idea is to create consistency

## SSAP 85 (con't.)

- The guidance itself is an amendment to SSAP 85 and hence directly affects only the calculation of the CAE liability (i.e., items defined as CCE are to be included)
- Guidance not effective until 12/31/2003
- Related changes to the Health and Life/A&H Annual Statements (from 2004 forward) will be considered at next month's NAIC Blanks meeting – these changes would make CCE a separate expense category
- Two different “loss ratios”: with, and without, CCE
- No effect yet on Health RBC but issue will be studied

## INT 01-28

- SSAP 55 paragraph 10 reads:  
*“...management shall record its best estimate of its liabilities for unpaid claims...”*
- Clarification(?) provided in INT 01-28:  
*“...the concept of conservatism is inherent to the estimation of reserves and as such should not be specifically prohibited in the consideration of management’s best estimate. On the other hand...[there should not be] a specific requirement to include a provision for adverse deviation in claims...”*
- Academy recently formed a joint Health/P&C “Best Estimates Work Group” to write a white paper or possibly a practice note on this subject

## Health Blank Migration

- With introduction of Health blank in 2001 (replacing old HMO and HMDI blanks), action taken to move “health insurers” off of Life/A&H and P&C blanks
- For these purposes, “health” excludes DI, LTC, etc.
- 2003 statements will contain the “Health Statement Test”. If test is passed for 2 consecutive years, then entity will migrate over to the Health blank
- Migrated entity is presumably no longer subject to AVR/IMR, but presumably remains subject to AOMR

## Health Reserving Consistency

- Codification has raised a number of consistency-related issues with respect to health reserving – see Academy report:

[http://www.actuary.org/pdf/health/accounting\\_jan02.pdf](http://www.actuary.org/pdf/health/accounting_jan02.pdf)

- NAIC Accident & Health Working Group is developing recommendations to achieve both internal consistency between different regulatory documents (e.g., accounting vs. model regs) and consistency between different types of entities writing A&H business (e.g., HMOs vs. Life/A&H insurers)